

TESTIMONEY OF DEPARTMENT OF ADMINISTRATION DEPUTY SECRETARY  
SCHOENHERR BEFORE THE SPECIAL TASK FORCE ON UW RESTRUCTURING  
AND OPERATIONAL FLEXIBILITIES  
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Thank you for the opportunity to address the task force this morning on two critical issues –buildings and procurement. Before diving into the specifics let me first say that the Department and the Administration are supportive of providing the appropriate tools and flexibility to the system and campuses so they can most effectively meet their educational, research and economic development mission.

While there is a natural check-and-balance element to the relationship between the UW and DOA, we do very much view this as a partnership. Over time, as reflected in statute, DOA has been providing additional flexibility to the UW – and we'll discuss a few examples shortly. We do this in light of the broader partnership we have not only with the UW, but with all other state agencies, local units of government and most important, the citizens, and taxpayers, of Wisconsin to whom we are all ultimately accountable. I suspect we may find areas where changes would make perfect sense if we look at the UW in isolation, but those same changes could be detrimental to the broader set of partners I just referenced. The charter of this task force is more narrowly defined, but I am confident that the bigger picture issues and potentially wider scale impacts – positive or negative – will remain as top a mind for you as it does for us.

While we will be addressing these two important topics of buildings and procurement separately, my opening comments apply equally.

## **BUILDINGS**

The overarching mission for DOA as it relates to the construction of state buildings is to provide a statewide, enterprise approach to the design and delivery of state facilities that meet the needs of state agencies, on a least-cost life-cycle basis, on time, and on budget. This process involves awarding contracts to architecture and engineering consultants and building contractors in an open, transparent, and fair manner. If we were to review the overall inventory of state-owned buildings, I believe we would find that using the processes we have in place today has resulted in demonstrated success of achieving these important objectives. The state building program process does not need to be drastically changed because it is working well.

That being said, we are open to suggestions for improvement that do not threaten the necessary legislative and administrative oversight currently in place.

Let us also acknowledge that there is a significant amount of money involved in designing and constructing state buildings. Those involved in this process, regardless of whether they are awarded the contract or not, need to have confidence that the process is indeed fair. There is no room for impropriety, or even the appearance of impropriety. In that pursuit, final approvals for authority to construct must be secured from the bipartisan State Building Commission and in the case of the UWS, the Board of Regents. While this may seem a burdensome approval process at first glance, the value of confidence in the fairness of the process may only be truly appreciated once it is lost. This administration is committed to conducting all these procurements in a manner that ensures that never happens.

**Question 1: Describe the current state building program? How does it relate specifically to UWS?**

UWS has presented a summary of the state building program (see Operational Flexibilities for UW System Institutions document). I don't want to bore you with a repeat of that information, but I would like to clarify some points as they relate to DOA/DSF's role in the state building program and how we interact with the UWS.

DOA, through three operations, the Capital Finance Office, the Capital Accounting Section of the State Controller's Office, and the Division of State Facilities, provides independent and unbiased staffing and expertise in the development of the state building program. DOA has also delegated DSF as the official staff to the State Building Commission (SBC).

At the beginning of the capital budget process, DSF sends capital budget instructions to all of the state agencies in January or February of the even numbered years. DSF schedules and provides an extensive training session for agency representatives to familiarize them with the process, and help them identify key building and renovation priorities. Six-year plans-- a three biennia snapshot of each agency's plans for their facilities-- are due to DSF in July of the even numbered years. Then, DSF staff work with agency representatives to assist in the preparation of project specific submittal requests. These agency requests are due to DSF in September of the even numbered year.

Once agency requests are submitted, DSF budget analysts review all the submitted requests and provide preliminary recommendations. DSF also compiles all of the agency requests into a comprehensive document (hold up agency request packet) for publication and presentation to the Governor and DOA Secretary. DSF staff first brief the DOA Secretary, then the Governor, on the agency requests. These briefings include DSF staff recommendations as to which projects should be included in the Capital Budget. At this point in the process, discussions about the targeted general fund supported borrowing (GFSB) debt amount also occur. Once decisions are made about which projects will be included and how much GFSB debt the state can incur, the Governor's Capital Budget recommendations are finalized, published, and submitted to the State Building Commission for their review and approval. This usually occurs at the March SBC meeting in the odd-numbered years. DSF staff is responsible for briefing members and presenting the recommendations to the SBC at this meeting. By statute, the SBC must make capital budget recommendations to the Joint Committee on Finance in April of the odd numbered year. For the upcoming 2013-15 Capital Budget, SBC recommendations are due to the Finance Committee on April 2, 2013.

Once the Capital Budget is enacted, DSF works with all the agencies, including UWS, to implement the approved state building program. At the crucial early stages of projects, DSF delivers many integral services. DSF architects, engineers, and project managers provide technical advice and direction to the agencies in the development of their project design. DSF administers and oversees the procurement of architectural and engineer consultants.

Once a project is ready to move into the construction phase, the affected agency must submit the project back to the SBC for authority to construct. DSF capital budget analysts review the project scope and budget to ensure conformity with the original

enumeration. DSF staff assists with final design components, develops project bidding documents, and oversees the public open bidding process used to award multiple construction contracts for each project. DSF is also in charge of project management and construction administration throughout the life of each project.

This independent, unbiased staffing, expertise, and administrative oversight ensures that the investment of taxpayer money is protected and confirms the SBC's intent is being carried out—that what they approved is what's going to be built.

**Question 2: What efficiencies does a centralized state building program provide for the State?**

The centralized nature of the current state building program provides a productive, cost-effective, and streamlined approach which provides the highest value to state taxpayers. We utilize our broad expertise to benefit all state agencies enterprise-wide. Consistency and efficiency are inherent in our cradle to grave method of delivering projects.

The debate surrounding whether the building process should be centralized or decentralized is not new. During the Thompson administration, the move toward centralization took hold and created the general structure we currently have in place today. The process and procurement to design and construct facilities of the varying sizes and types needed by state agencies is complex and the program benefits from centralized resources. Developing that level of expertise in a decentralized manner results in unnecessary duplication and creates exposure for the state. Having one division consistently engaged and involved throughout the life of a building project is more productive and cost-effective than having multiple groups do it less frequently. All agencies, including the UWS are able to leverage the knowledge and expertise available within this centralized program. A centralized function provides backup and continuity that is not achievable in a decentralized structure. We firmly believe this centralized provides the highest value, cost-effective approach to building construction for state taxpayers.

That said, I don't want anyone to be left with the impression that DSF operates in a vacuum. Instead, we seek to develop a partnership role with the other state agencies and treat them as clients. It is our aim to utilize the expertise in DSF for the benefit all state agencies, including the UWS.

**Question 3: Are there advantages/disadvantages to having UWS included in the state building program?**

The primary advantage to including UWS in the state building program is that it frees up the UWS to focus on its core functions, most importantly education. The UWS core function, as stated on their website, is "...to develop human resources, disseminate knowledge, serve and stimulate society ... through methods of instruction, research, training and public service to educate people and improve the human condition." The UWS is not in the business of building buildings, it is in the business of building people. That is the most noble of missions. Including the UWS in the state building program allows the UWS to focus on its core missions of education and research and in turn allows DSF, in a more humble way, support that noble mission of the UWS.

Clearly a core function of the DSF is to deliver the state building program in a quality, transparent, timely, and fiscally responsible manner. This is an administrative function that aligns with the overall core function of DOA. Allowing both groups to focus on its core functions ultimately provides the best overall value for taxpayers.

In addition, there are constitutional restrictions on how the state bonding authority can be used to support the state building program. Having the process run through DSF within DOA, where the State Budget Office also resides, helps ensure we finance building projects in an appropriate and legal manner. The advantages of including the UWS in the state building program are similar to the efficiencies provided by a centralized program that I stated earlier.

The centralized process also allows the state to level the costs of developing and maintaining this expertise across all state agencies. The current scale and scope can be maintained in DSF because all state agencies participate in the building program. Not every agency builds a new building every year, but agencies rely on the state building program for maintenance projects at their facilities. Should the UW or another major agency split off from the state building program, DSF may no longer have an adequately sized staff to adapt to the potential peaks in demand. The centralized program provides greater flexibility to adapt to demand changes and meet the needs of all state agencies, including the UWS, in a timely manner. The end result is a more cost-effective process and that affords a better value for state taxpayers.

A centralized entity whose core function is the design, development, and construction of capital projects allows for enterprise wide expertise, best practices examples, and economies of scale that can be leveraged and utilized across all agencies.

**Question 4: What is the potential impact of allowing UWS full control of its own building projects?**

- Unnecessary duplication of DSF functions at UWS and at each campus
- Lose all efficiencies gained by centralization
- Lose economies of scale
- Lose unbiased and independent staffing
- Gaps in services--who would staff the SBC on UWS projects? What about Capital Finance functions? Many statutory and administrative roles and responsibilities would have to be transferred somewhere else.

Also, the criteria of an open, transparent and fair procurement process do not disappear based on where the process is managed. Clearly, the legislature can decide otherwise, but so long as public monies, state-owned land, and state assets are involved in a state building project, these administrative safeguards must remain in place.

The major impact of allowing the UWS full control of its own building projects is that it will create a duplicative set of resources, which is not the best use of funds. Further, this could create two separate processes that will create complexity, uncertainty, and potential confusion for consultants and contractors who do business with the state. We believe the better approach is to partner with the UW so that the needs of the educational institutions are met without devoting scarce resources to an administrative process.

**Question 5: From DOA's point of view, could the state building program be improved (as it relates to UWS) through legislation or administrative policies?**

No system is static and there is always room for improvement and evolution. I won't sit here and tell you the process is perfect but as I said earlier, we believe it is working.

It is important to note that Act 32 provided additional flexibility to UWS for projects \$500,000 or less that are funded by with gifts and/or grants. We believe this was a good starting point for the flexibility discussions and we would like to gauge the success of this initiative before delegating complete flexibility/full control to UWS.

One potential legislative or administrative improvement could be the idea that a project should not be enumerated until it is programmed, planned, and accurately budgeted. This would go a long way to ensure projects stay on scope, schedule, and budget.

Other improvements we are exploring include: updating the statutes to include alternative project delivery methods, increasing project dollar thresholds where appropriate, revising state construction standards and guidelines to provide increased flexibility, continuing to train our staff in state-of-the-art construction trends, and reorganizing our staff to devote more resources to pure project management and construction administration. These improvements would benefit all agencies enterprise wide.

We believe we have the appropriate legislative and administrative policies in place to design and build quality facilities in a cost-effective manner. The most critical factor in continuing success is maintaining a positive working relationship with our clients – all the state agencies.

**Question 6: Potential areas of discussion: 4 percent fee and claims that UWS could reduce costs by building without DSF**

I certainly understand that every agency is looking for ways to reduce costs. We have provided some flexibility as it relates to the fee, and are always open to discussion if special circumstances arise.

As I stated earlier, we firmly believe there are economies of scale and scope in having the centralized process in place. Having duplicative resources does not appear to be the way to provide the greatest overall value to state taxpayers so I do have to profess to some skepticism as to how such an effort will reduce costs.

DSF provides a unique network that provides comprehensive technical design advice, budgetary controls, and construction oversight to ensure the State's assets are built to the level of quality needed to meet agencies' long-term facility needs. The DSF fee covers overhead for the State Building Program and ensures that all agencies have access to various DSF services.

Revenue from the fee is put towards DSF costs, primarily staff that provide direct project related services and technical support to agencies, and staff to the State of Wisconsin Building Commission. DSF handles a very large volume of work and are held to very high technical and policy standards. The 2011-13 State Building Program included

approximately a billion dollars in capital improvements. DSF is charged with the management, implementation, and delivery of this program.

For clarification purposes, the 4% fee is applied only to non-delegated projects and has been waived on occasion where it's in the best interest of the State. Delegated projects are only charged a \$500 flat fee which does not cover DSF expenditures to administer the project. Of the roughly 1500 projects billed in the past two years, approximately 700 of them were charged \$500 per project rather than the 4% fee.

DSF building program services covered by the 4% fee include but are not limited to:

- Technical and advisory staff to the State Building Commission
- Provide leadership and assist agencies with the Capital Budget and long-range planning process
- Capital Budget Analysis, and manage All Agency and Small Projects Program
- Capital Finance, Capital Accounting
- Accounting, Minority Business, and Overhead
- Legal Counsel; Manage, mediate, and negotiate claims and liens
- WisBuild Project Management System, Building Inventory, Records management
- Manage facilities preventative maintenance program
- Manage hazardous material inspections and database
- Electrical distribution system management
- Roofing and masonry repair experts
- State Heating Plant operations and management (34 plants)
- Manage master planning and design, with peer review groups for uniform design quality
- Provide technical reviews of programs, design documents, and project bidding documents
- Advertise, evaluate, interview and negotiate all consultant (design) services
- Ensure compliance with Code, Statutes, Executive Orders and Rules through entire process
- Advertise, publicly bid construction projects and distribute plans and specifications
- Manage all consultant and construction contracts, and the performance of vendors
- Supervise onsite construction and project delivery
- Manage all construction change issues and documents, project budget
- Manage project closeout, punch lists, post-occupancy training, and corrective work

In closing, while we believe the centralized process with DSF serves all state agencies and taxpayers well, we also recognize there is always room for improvement and welcome the opportunity to work with the UWS and all other state agencies to improve the process, reduce costs, and enhance the relationship we have with our clients.

## PROCUREMENT

As it relates to procurement policy, let's start with the overarching principal for state procurement. We seek to procure the best overall value in the goods and services required for cost-effective government operations in an open, transparent and fair manner. Let me assure you it is far easier to articulate than it is to execute.

In the interest of full disclosure, I spent over three decades in the private sector and while the objective of securing the best overall value is universal, the climate within which one operates and expectations of how the process is conducted is not. Let me now attempt to provide answers to the specific question that have been posed.

### **Question 1: Describe the current state procurement system? How does state government procure materials, supplies, services, etc.? How does it relate specifically to UWS?**

The actual process for procurement can vary somewhat depending upon the type of product or service needed, but I can provide a general overview of the more common elements of the process. For goods or services with a value in excess of \$50k, an official sealed procurement – either a Request for Proposal (RFP) or a Request for Bid (RFB) must be developed. The State Bureau of Procurement conducts procurements for goods and services used across all agencies and campuses. The Bureau solicits agency needs by convening standards committees composed of agency subject matter experts. Using agency and campus input, a member of the State Bureau of Procurement will develop the detailed requirements or specifications to be included in the solicitation. When Requests for Proposals are conducted; members of the standards committee serve on the evaluation team and make the final recommendation for award(s).

Similar to many in the private sector, we have goals for minority businesses and encourage women and disabled veteran owned and small businesses to submit proposals. Wisconsin statutes allow a 5% preference to certified MBEs. Keep in mind, all bids and proposals submitted by MBE vendors must meet the minimum specifications of the bid and the mandatory requirements of an RFP.

Where the process for the procurement for the State can vary from private industry is in the area of transparency and openness. The law requires agencies and campuses to periodically conduct procurements for goods and services. As a result, contract terms are limited ranging on average from 3 to 5 years in duration.

All bids and RFPs are written to provide maximum competition. Bid specifications must be generic and RFP requirements must be written so that all viable vendors can respond. All procurement records including e-mail communications related to the procurement, bid abstracts and evaluation team records are open records and available for vendor review. When an official sealed bid or request for proposal is issued it is posted to the State's vendor notification system (VendorNet) and is automatically posted to the State's public notice website. All vendor questions and responses to those questions are posted for all vendors to see at the same time. Once an RFP has been released any communication between a vendor or a vendor's representative and agency representatives is strictly regulated. All vendor communications related to an open solicitation flow through the lead procurement professional so that all vendors are treated fairly and equally. Vendors have the opportunity to protest the actual solicitation

if they believe the procurement is slanted to a particular vendor. They can also protest the award process if they believe the procurement process was flawed.

When the value of the item or service being procured is less than \$50k, a more simplified bid process may be used. In such a case, agencies and campuses need only contact three viable vendors for bids. Bids may be obtained by telephone, from vendor catalogs or web sites. This process is much quicker and can be done in a matter of hours. Simplified bids are awarded to the lowest responsible, responsive bidder.

Sometimes a more complex procurement may require a Request for Information (RFI) process. A RFI is not a procurement method and no award can be made from this process. This is a less formal but equally transparent process where agencies can ask questions and seek additional information from vendors related to a potential good or service prior to the issuance of an RFP. The information gathered from this process is subsequently incorporated into a bid or RFP. Using input from an RFI process usually results in a much clearer, better defined RFP – which is ultimately in the best interest of the state and the vendor community.

While the SBOP at DOA establishes enterprise contracts for goods and services, DOA is not the only agency with procurement authority. Section 16.71 (1) Wis. Stats allows DOA to delegate procurement authority to “special designated agents.” To date, DOA has purchasing delegation agreements with nine agencies. Those agencies have delegated procurement authority to conduct procurements for goods and services unique to their agency operations. DOA recently required all of the delegated agencies to update their delegation materials. There is a review and certification process involved for an agency to be granted this delegation authority by the Secretary of DOA.

While this may appear to be an onerous process, it is intended to ensure the agency has a full understanding of the statutory requirements and the staff resources and expertise to meet those requirements as specified in Chapter 16 and all related Administrative Code. It’s not a matter of DOA attempting to be difficult but rather exercising prudence to ensure the agency is abiding by the law. The impacts of failing to do so are far more onerous. Simply because DOA delegates its statutory authority to conduct procurements it is not relieved of its accountability to ensure state procurements are conducted within the statutory provisions.

In the past, UW System received procurement delegation from DOA and subsequently delegated procurement authority to each of the four year campuses. On August 13, 2011 UW System submitted an updated delegation application. Secretary Huebsch signed the delegation agreement with UW System on January 9, 2012. To date, DOA has not received the signed delegation agreement from UW System. The budget bill included a new provision requiring DOA to delegate procurement authority to UW Madison, beginning in FY 2013. UW Madison submitted its delegation application on August 13, 2011. DOA approved the application and a delegation agreement was signed by Secretary Huebsch on January 4, 2012, well in advance of the statutory deadline in the budget bill. To date, DOA has not received the signed delegation agreement from UW Madison.



## **Question 2: What efficiencies does a centralized procurement system provide for the State?**

The State of Wisconsin does not have a centralized procurement system. Such a system implies that all procurements go through a central procurement office. Instead, Wisconsin has a center led system.

To the extent that DOA mandatory contracts are viewed as “centralized procurement,” there are a number of benefits for the state. Obviously the first one is volume. The collective purchasing power of multiple state agencies, local government that can purchase off the same contracts and the UW is significant.

For example the state’s office supply contract leverages a procurement volume of almost \$14 million dollars. UW Madison alone purchases almost \$8 million dollars of office supply products for distribution through its warehouse operation. The state uses the same principle of leveraged volume on all of its enterprise contracts. Consortium contracts issued by entities such as WSCA, US Communities, Big 10 and E&I all use the same principles of leveraged volume.

The scope of these enterprise contracts is very broad and they include pricing for a wide variety of items. As a result, there may be instances where an agency – or campus – can procure a specific item at a price that is similar or perhaps even slightly less than the state-wide contract. While that might be great for that agency or campus on this specific item at this specific time, it can result in fewer saving across all other agencies, campuses and local governments resulting in a net loss in value to state taxpayers. Further, if vendors lose confidence in the potential volumes of state-wide contracts due to individual behavior, they will no longer provide the volume discounts we enjoy today – which will more than offset the savings any individual campus or agency may obtain on a “one-off” contract. In short, this type of approach hurts both the collective group and the individual participating in this behavior.

Other benefits of enterprise contracts include warranty and service protection and standardized terms and conditions protecting all state agencies and campuses. Often when agencies find lower prices for items covered by contract on the internet or at local stores, those products will not meet the state’s stringent delivery, warranty and service requirements. Enterprise contracts guarantee the same price, service, warranty and terms and conditions regardless of where the agency or campus is located.

We often hear, and appreciate, that agencies, campuses or local governments want to buy local. Here too, with the best of intentions, efforts by the state to limit bids or contract awards to local firms can backfire. If the state begins to present barriers to out-of-state firms in doing business with the state of Wisconsin, other states will soon impose similar restrictions on Wisconsin-based companies looking to do business with other states. I struggle with that one myself, but if you step back and think about it, the potential for trade wars is real. If we believe that our Wisconsin businesses produce the best goods and services available in the market – and I do – then we have to have confidence that they will succeed based on merit alone.

Having said that, DOA realizes that agencies and campuses sometimes have an immediate need for product and cannot wait for delivery by a contract vendor. MRO (maintenance, repair and operations supplies) is a good example of that. To

accommodate those immediate critical agency needs, DOA has built into a number of the enterprise contracts an automatic waiver to accommodate immediate needs. The MRO contract for example allows agencies and campuses to buy from an “off contract” vendor for purchases that total under \$100. This type of automatic waiver was specifically designed to help facilities staff meet immediate needs.

Even in this brief overview, the potential complexity associated with executing procurements in compliance with state statutes I’m sure is evident. The staff at the SBOP has vast knowledge and experience with how to work through this process in an effective and efficient manner. That comes with doing hundreds of highly complex procurements per year – year in and year out. Having that level of experience and that kind of backup and bench strength is difficult to achieve if the procurement function is heavily decentralized. It may be difficult to put a price tag on the value of this expertise – unless one suddenly finds themselves without it.

**Question 3: Are there advantages/disadvantages to having UWS included in the state procurement system?**

The UW-System clearly adds to volume which creates price benefits for the System as well as all other users of State-wide contracts. UW system purchasing volume is between 45 and 50% of the state’s total volume. This volume has a significant impact on the pricing structure large prime vendors are willing to offer to the state, especially for those goods and services used across all state agencies like office supplies, janitorial supplies, printers, paper, MRO, copiers, etc. In late 2010 DOA conducted interviews with the majority of its enterprise contract vendors. When asked about the impact on state pricing if UW system volume were removed from these contracts these vendors estimated that prices would increase anywhere between 5 and 25% depending on the commodity and the vendor. From a strictly efficiency point of view, at a time when all agencies and campuses have fewer staff it simply makes no sense for two or three entities (UW System, UW Madison and DOA) to expend staff time conducting separate procurements for the same goods and services used by both the executive branch and higher education. Keep in mind, delegation provides UW System and now UW Madison with the authority to conduct its own procurements for goods and services unique to higher education.

To the extent the UW views DOA’s role more as “cop”, I can understand how that could be viewed as a disadvantage, however, DOA does have the responsibility to insure that all state agencies comply with procurement statute and administrative code. As I mentioned early on, our goal is to be an effective partner and seek to be a “trusted advisor” in the process. We are open to suggestions from UW System on how to more effectively partner in monitoring procurement compliance.

**Question 4: From DOA’s point of view, could the current procurement system be improved (as it relates to UWS) through legislation or administrative policies?**

At this time, we believe the avenues to greater flexibility exist for the UW System and campuses. Clearly the same statutory restrictions and administrative rules that govern how DOA conducts procurements also govern those that have the delegated authority to do their own procurements. If the legislature saw fit to relax either the requirement to purchase off state-wide contracts, provide some sort of preference points for “buying local”, or make other changes that would impact how all state agencies conduct

procurement it could do so, being mindful of some of the potential unintended consequences we've discussed earlier.

Given what we believe is the prior legislative intent that is contained within the statutes and associated administrative rules we do not believe legislative changes are required.

However, we do believe that technology improvements could be of benefit to DOA, the UW and all other state agencies. As you know, the State does not have a statewide procurement system. Much of our procurement information comes directly from contract vendors or through financial information contained in the State's Wismart system and UW System's SFS system. We understand that UW Madison is considering moving to the Sciquest e-procurement system and we support that move. SBOP is working with executive branch agencies to investigate how we can address these system-related issues and seek to partner with the UW in finding cost-effective solutions to these technological issues.

**Question 5: What is the potential impact of allowing UWS to procure its own items/services/etc.?**

As we have previously stated, the delegation agreements with UW System and UW Madison, once they have signed them do give both entities the procurement authority to buy goods and services unique to each entity. With respect to the enterprise contracts, based on our discussions with current enterprise contract vendors, the State would see price increases ranging from 5 to 25% depending on the contract and the vendor. These price increases will not only impact state agencies but all municipalities using our statewide contracts as well. From an efficiency perspective it seems counterproductive to have two or three entities using staff time to procure the same goods and services.

In the past we have discussed the possibility of requesting pricing on enterprise solicitations with and without the University's volume. However, to do that we will need much better information from both Madison and UW System regarding exactly what is being purchased. Getting that data may be a more feasible approach if both UW System and DOA move forward with an enterprise procurement system.

In some respects this requires one to live the same day twice – what would have been the impact on pricing if the bid excluded the UW verses what actually transpired? We do know that volume will drive price but may not be able to answer that question accurately without having had two different procurements in the same time period reflecting a different universe of entities on the contract.

Should the legislature set different requirements for the UW verses other state agencies, it would create some confusion in the vendor community – at least initially. Regardless of whether vendors like all the provisions and requirements of doing business with the state, they have come to understand them. Being in a situation where they have to question – “what part of state government am I working within” does open up some potential issues. Over time I'm certain the vendor community would adapt.

Fundamentally, this does become a question of whether centralized procurement makes sense for the state. It's conceivable that other agencies could legitimately ask, “if it was good for the UW, why isn't it good for us?” Our answer is that centralized procurement provides a better value based on greater volumes resulting in lower overall costs,

consistent warranty, service and terms and conditions and having the depth and breadth of expertise housed in a specific agency allows us to most cost-effectively conduct procurements in an open, transparent and fair manner.